

Open Innovation: What's New?

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What I've been doing

- Lots of talks to promote Open Innovation and Open Business models
 - 54 talks this year, compared to 68 in 2007 and 53 in 2006
 - 40% of talks were outside the US this year!
- Open innovation message now established
- Open business model message still is not
- Executive courses on Open Innovation and Corporate Entrepreneurship
 - Philips
 - Berkeley
 - Monterrey Polytechnic in Mexico

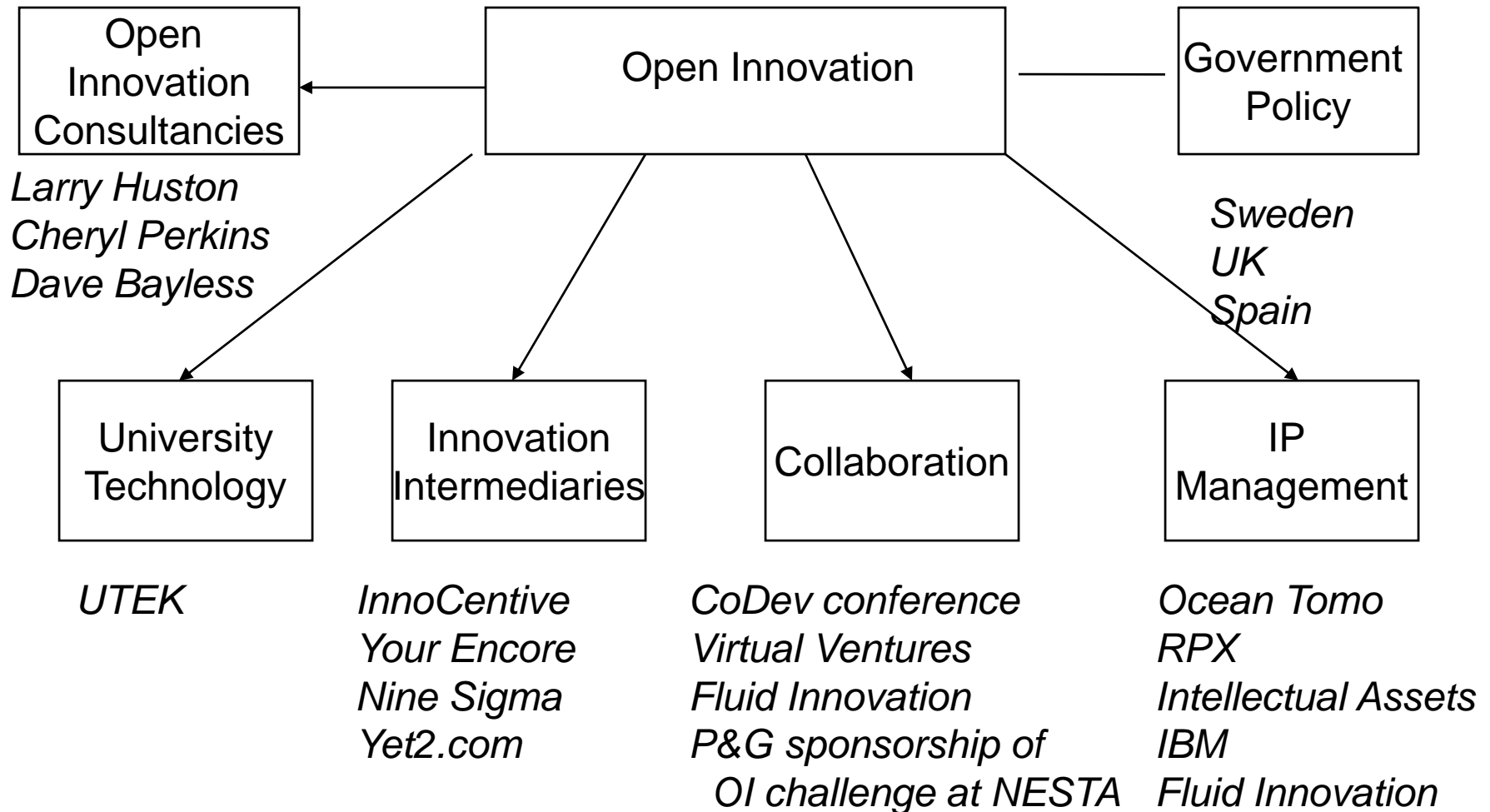
More

- Open Innovation Speaker Series
- More articles and publicity
 - See handouts and list of articles on your memory drive
- Tomorrow's case on BP/Berkeley EBI initiative
- Proposal for Open Innovation Lab to Kauffman Foundation
- Next book – Innovation in Services

Cases Under Development

- EBI
- Nintendo
- TSMC's Open Innovation Platform
- Asian Paints

What others have been doing



IBM Patent on Making Money from Patents

BOSTON (AP) -- IBM Corp. says it has dreamed up a new method for profiting from its vast storehouse of patents. And by the way, the company wants to patent the idea. Beyond the circularity of the concept, IBM's application is notable because the company -- the world's top patent holder -- has been campaigning to improve the quality of patent filings and reduce so-called "business method" patents.

"I think this is absolutely a business method patent," said Barbara Fiacco, a patent attorney with Foley Hoag LLP.

The new patent application was initially filed in April 2006, updated last April and published by the U.S. Patent and Trademark Office last Thursday. It covers what IBM calls **"a system and methods for extracting value from a portfolio of assets, for example a patent portfolio."**

Specifically, IBM -- which collects more than \$1 billion in patent royalties every year -- describes a new process for licensing patents. Instead of smaller companies licensing technologies from patent holders like IBM in a plodding, one-by-one manner, IBM envisions a more dynamic system with "floating privileges," in which patents could be licensed quickly, as needed.

The application says this floating privilege, once purchased, could be activated by a patent-infringement lawsuit. In other words, companies would buy the right to use a patent portfolio like IBM's as a legal shield for themselves -- "just like purchasing a fire insurance policy," IBM's application contends.

IBM's application regarding patent licensing: <http://tinyurl.com/2detov>

And growing academic interest



Source: <http://www.flickr.com/photos/gen/1753944997/>

Recent academic activity

- Special issue of R&D Management, December 2008
- Special issue on business models, Long Range Planning, 2009
- Academic conferences on Open Innovation
 - Copenhagen Business School
 - Harvard Business School
 - Imperial College, London
- New Ph.D. students launching dissertations on open innovation topics
 - Tommi Lampikoski here at our meeting

HP's Open Innovation Focus

- Re-launched HP Labs in March of 2008
- Prith Banerjee, former Dean of Engineering, University of Illinois, now heads HP Labs
- “Open innovation recognizes that there are people outside your own organization who are as smart as you, or perhaps even smarter. In the past, research labs focused on closed innovation – they did the work on their own and then tried to funnel it to the businesses inside their own companies.”

How to Make Open Innovation Recession-Resistant?

- Innovation investments often cut in downturns
- Open innovation is the new kid on the block
- Are we heading for a fall?

What Pressures Are You
Facing?

What Are You Doing to Manage
These Pressures?

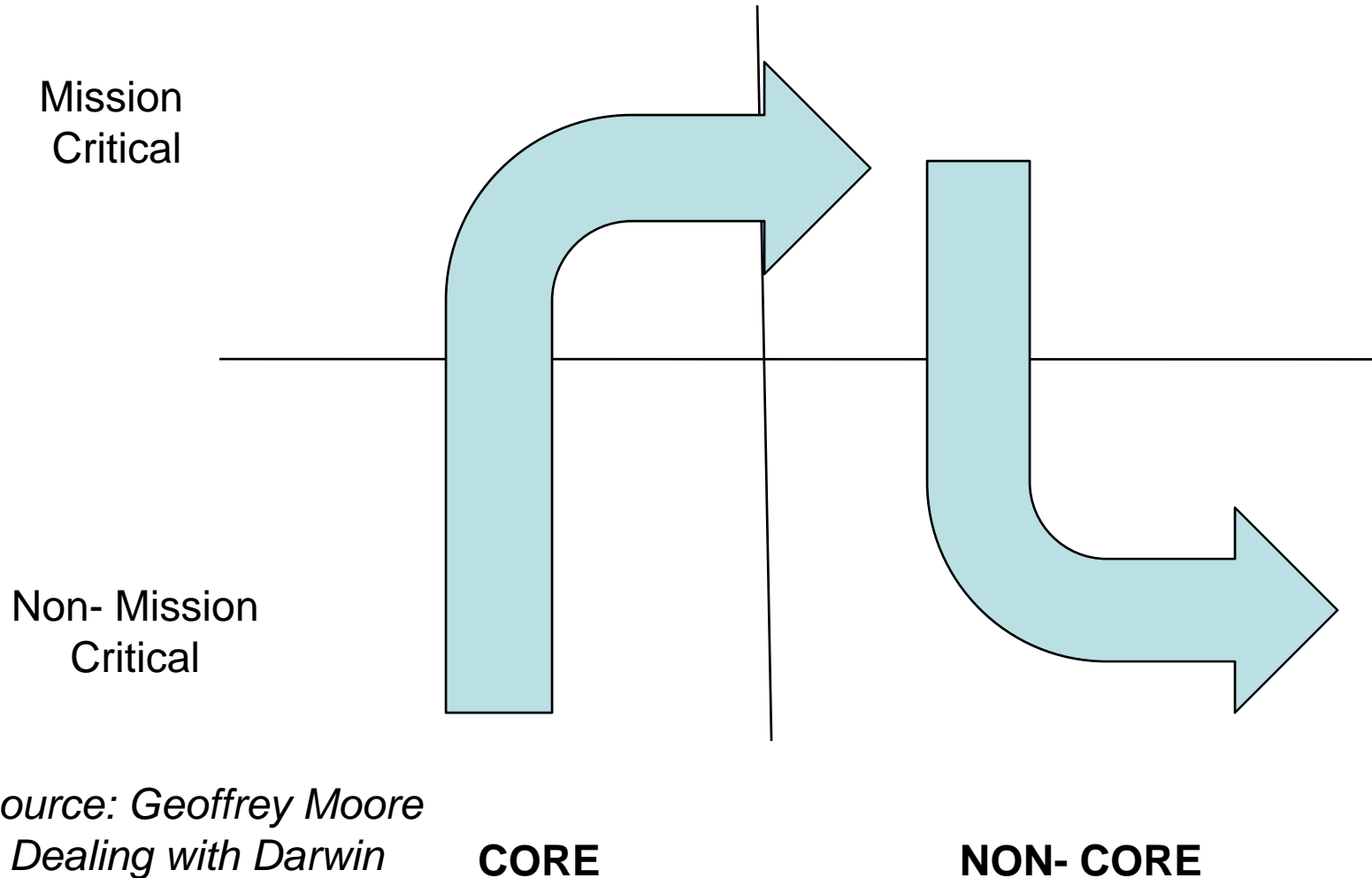
Some Ideas to Consider

1. Align Open Innovation activities more closely with your strategy
2. Deploy Open Innovation activities where they differentiate you, or where they generate leverage for you
3. Make your internal innovation assets work harder

Align Open Innovation More Closely to Your Strategy

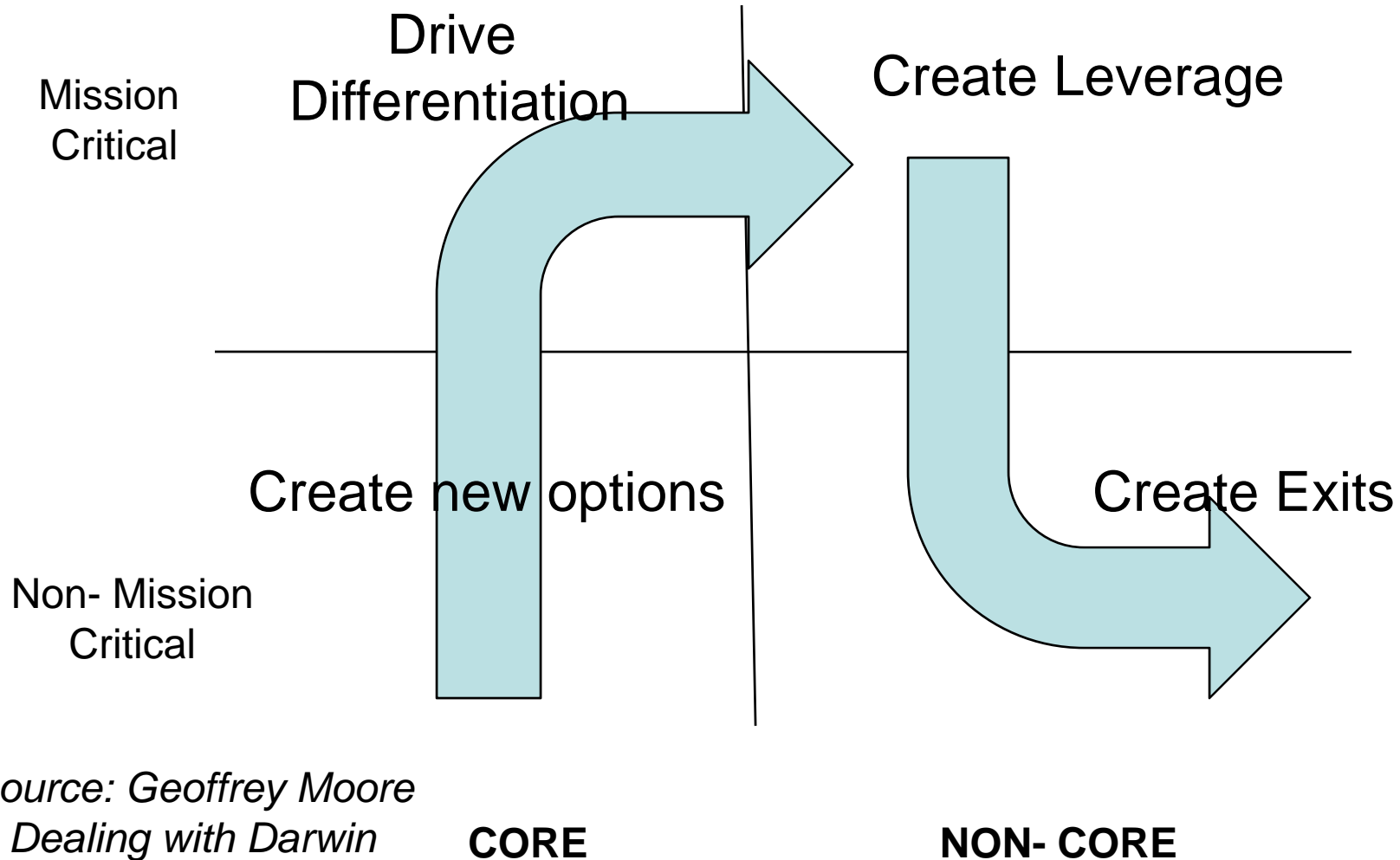
- Focus OI on accelerating TTM for your businesses
 - Generate a thorough shopping list
 - Enlist Business Unit Managers to review and get buy-in early
 - Work with your key suppliers to shift upfront fixed costs to gain sharing, flexible costs
- For non-core innovative activities, consider being more influencing and less controlling

Deploy OI Resources Differently, According to PLC



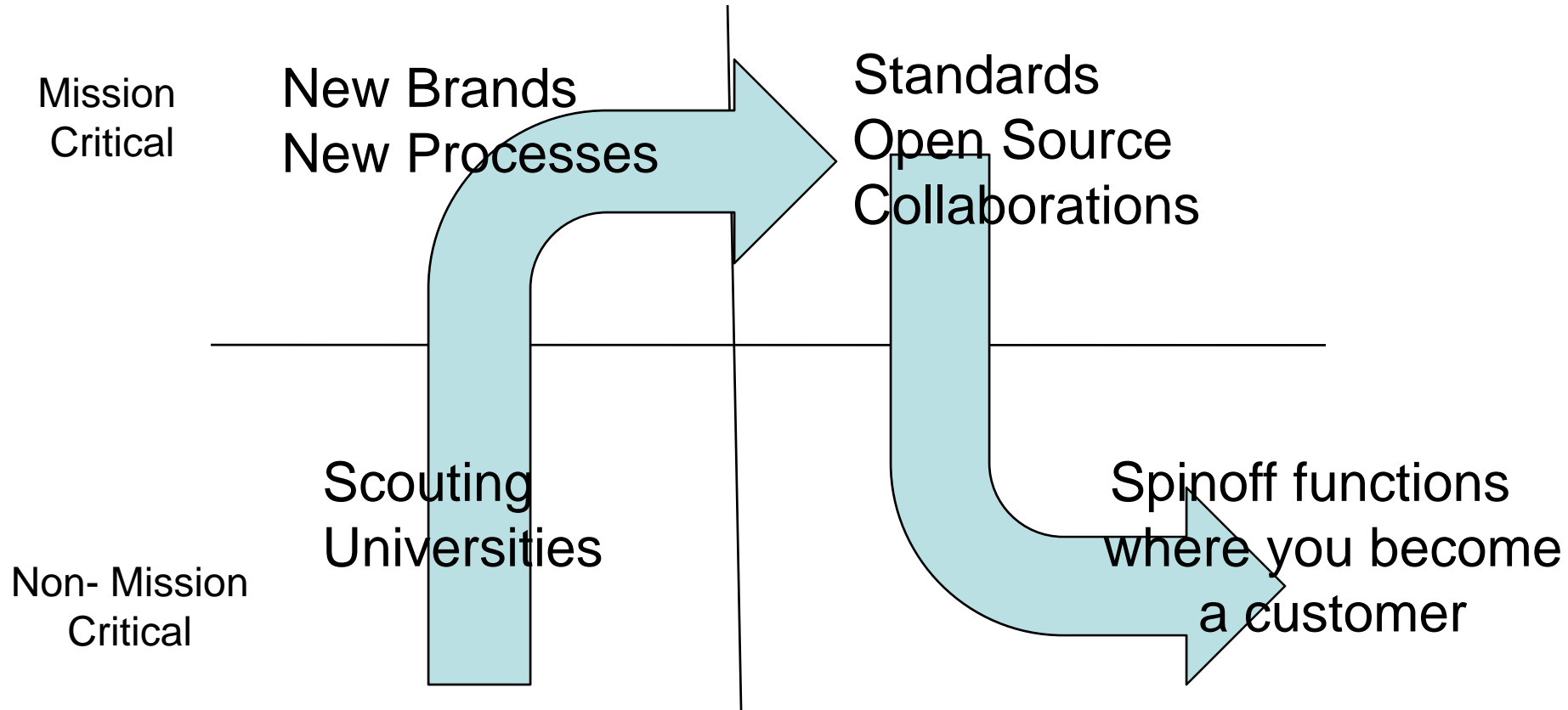
Source: Geoffrey Moore
Dealing with Darwin

Role of OI Differs



Source: Geoffrey Moore
Dealing with Darwin

Example OI Activities



Source: Geoffrey Moore
Dealing with Darwin

Make Innovation Assets Work Harder

- Foster a culture of “use it or lose it”
- Support creation of internal spin-offs
- Manage IP for income generation
 - Self-funding beats a budget cut!
 - 20-30% of your R&D budget
 - Outlicensing, licensing other fields of use
- Use IP rights to get better terms from suppliers

A Crisis can be an Opportunity

- Prominent OI adopters shifted to OI in response to dramatic crises
 - IBM nearly broken up
 - P&G stock price fell 50% in 4 months
- Open Innovation is not something that can be a very gradual process
 - Major changes to processes inside the company
 - A crisis could be the trigger!